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UNCLAS SECTION 01 OF 02 YEREVAN 002802

SIPDIS

COMMERCE FOR 3150/PBRADLEY/BSMITH
COMMERCE FOR 4201/ITA/IEP/OEERIS/BISNIS/EHOUSE
EMBASSIES - PLEASE PASS FCS
DEPT FOR EUR/CACEN, EB/CBA
ANKARA ALSO FOR CFC/ SNYDER/BALLINGER
PASS TDA-STEIN, OPIC, EXIM-TUMMINIA/PANARO

E.O. 12958: N/A

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SUBJECT: (IMI) ARMENIA, COMMERCIAL NEWS SUMMARY:
DECEMBER 2004

SUMMARY

1. This cable summarizes press reporting on commercial developments in Armenia for December 2004. Major headlines include:

-- Armenia sells Zangezur Copper Molybdenum Plant for USD 132 million;

-- EBRD buys shares in Armenian commercial bank;

-- IMF approves USD 13.7 million for Armenia;

-- Slovakian company to launch the Vanadzor Chemical Plant in Armenia; and

-- Armenia reports 10 percent GDP growth January - November, 2004. End Summary.

ARMENIA SELLS ZANGEZUR COPPER MOLYBDENUM PLANT FOR USD 132 MILLION

2. Armenia's largest mining complex, the Zangezur Copper Molybdenum Plant, has been sold to a group of private investors led by the German company Chronimet. According to the Armenian Ministry of Trade and Economic Development, Chronimet acquired a 60 percent stake in the plant for USD 132 million and would control another 15 percent through the Yerevan-based smelter Pure Iron where it holds a controlling stake. Two other shareholders, each getting 12.5 percent, are Armenian companies Armenian Molybdenum Production and Zangezur Mining. The new owners, supported by Western banks, including Deutsche Bank, plan to invest USD 150 million in modernization of the plant within the next four years.

EBRD BUYS SHARES IN ARMENIAN COMMERCIAL BANK

3. The European Bank for Reconstruction and Development (EBRD) and Armeconombank signed a deal in which EBRD would pay USD 1.2 million for a "25 percent plus one" share in Yerevan-based Armeconombank. This is the first time the EBRD would become a shareholder of an Armenian commercial bank. According to the local EBRD representative the bank would assist in the strategic management of Armeconombank and would provide technical assistance of 500,000 Euros to make the bank more reliable and introduce risk management systems.

IMF APPROVES USD 13.7 MILLION FOR ARMENIA

4. The International Monetary Fund (IMF) has approved a USD 13.7 million disbursement to Armenia completing a three-year lending program designed to sustain macroeconomic stability in Armenia. It was the sixth tranche of the USD 105.3 million Poverty Reduction and Growth Facility (PRGF) arrangement. PRGF funds have been used since May 2001 by the Armenian Central Bank to maintain a stable exchange rate of the national currency and to alleviate the country's negative balance of payments. IMF officials said the program has served its purpose. According to Armenia's Minister of Finance and Economy Armenia will implement another three-year program with the IMF.

SLOVAKIAN COMPANY TO LAUNCH THE VANADZOR CHEMICAL PLANT IN ARMENIA

15. The Slovakian company, SLZ, part of Sweden's Dividend Group, is planning to invest USD 1.5 million in the Vanadzor Chemical Plant in Armenia. The Armenian Ministry of Trade and Economic Development announced that SLZ would launch the plant by February 15, 2005. Within the upcoming 6-8 months SLZ would sign an agreement with the owner of the plant for trust management or lease of the facility. The current owner of the plant is Russia's Zakneftegazstroy-Prometey. The Russian company privatized the plant in 1999 and has invested up to USD 20 million in the enterprise, which has stood idle since 2002. The Slovakian company was reportedly seeking at least a 51 percent stake in the Vanadzor Chemical Plant.

ARMENIA REPORTS 10 PERCENT GDP GROWTH IN JANUARY -
NOVEMBER, 2004

16. Armenia's National Statistical Service reported 10 percent GDP growth for January to November, 2004. By the end of November, 2004 the GDP totaled 1,672 billion dram (USD 3.1 billion). From January to November, 2004 the volume of industrial production increased by 1.6 percent compared with the same period in 2003, or 473.9 billion dram (USD 881.4 million). The volume of agricultural output totaled 412.5 billion dram (USD 767.1 million) from January to November, 2004, increasing by 14.3 percent as compared to the same period in 2003.
RICHTER